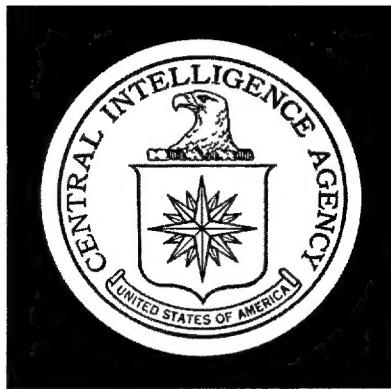


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

ECUADOR--ITS PROBLEMS AND PROSPECTS

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
22 May 1967

INTELLIGENCE MEMORANDUM

Ecuador--Its Problems and Prospects

Summary

Ecuador is one of the most politically unstable and economically backward countries in South America. For the past year, the country has been engaged in a precarious effort to re-establish constitutional rule through the mechanism of a constituent assembly. Elections are set for June 1968, with the new government scheduled to take office the following September. In the meantime, the republic will continue to be ruled by a weak interim government headed by the provisional president, Otto Arosemena Gomez.

The task of governing this volatile country has always been a difficult one, and it will continue to be so. Arosemena's government is continually saddled with labor unrest stemming from a myriad of economic problems, an undisciplined student element, and the irresponsibility of political leaders and parties. Essentially a caretaker chief executive, Arosemena has neither the mandate nor the political power to correct Ecuador's ills.

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Ecuadorean Politics--Bravado in a Vacuum

1. Since gaining independence in 1830, Ecuador's history has been characterized by a succession of dictators, military juntas, intense regional rivalries, and constant socioeconomic and political chaos. In 137 years there have been 48 elected presidents, only a few of whom have served full four-year terms. Ecuador has had 16 constitutions and the seventeenth is currently being written. Since 1960, Ecuador has not had a government capable of retaining popular support. Civilian governments were overthrown in 1961 and 1963, and a military junta gave up in March 1966 under intense public pressure and after a succession of bloody demonstrations. In 1966 alone, there were three different governments: a military junta, an interim government headed by Guayaquil businessman Clemente Yerovi Indaburu (April to November), and the provisional constitutional government of Otto Arosemena Gomez (November to the present).

2. Even more than most Latin American countries, Ecuador has conspicuously failed to develop responsible political institutions or leaders. There are only two real political parties, the Conservative and the Liberal. All the rest--and they are numerous--are ad hoc political groupings that rise and fall with the political fortunes of their leaders. Neither the parties nor the movements can command nation-wide support, nor are they able to achieve political dominance by themselves. Therefore, flimsy political alliances and temporary pacts of convenience are commonplace, born out of back-room maneuvering and bargaining.

3. What differentiates the parties from the movements and groups is their longevity, historic role, and more formal organization. Ideology tends to be vague or nonexistent among all. A Liberal Party leader commented before the constituent assembly elections in October 1966, for example, that his party did not have "time" to write out its ideological platform. A reading of party pronouncements produces only confusion. Almost all bemoan Ecuador's underdevelopment and current economic difficulties, and most support the broad aims of social justice and economic progress, but none spell out specific programs.

4. The parties and movements are as lacking in organization and finances as in policy. Generally speaking, they come to life only at election time when funds are more plentiful. Moreover, the national leadership of the various parties often does not exercise effective control over the provincial branches. Thus, the Liberals in Quito and the Liberals in Guayaquil often are so ill-coordinated as to seem two entirely separate organizations.

5. The dominant factor in Ecuadorean politics is personalismo, i.e., the adherence to a leader because of his charisma, his manliness, his honesty, his forceful speaking ability, and perhaps his Catholicism. Personalismo runs so deep that demagogues such as Jose Maria Velasco Ibarra can occupy the presidency four different times and try for a fifth despite having been thrown out of office on three occasions by popular acclamation. Personalismo allows [redacted] ex-President Carlos Julio Arosemena (Otto's cousin) to wield tremendous power in the constituent assembly despite a complete lack of popular support. Otto Arosemena knows the importance of personalismo in Ecuadorean politics, and he sought to cultivate his own with his performance at Punta del Este.

6. All the bravado, the confusion, and the irresponsibility that is Ecuadorean politics is conducted in an atmosphere of widespread public cynicism and apathy. The irresponsibility breeds cynicism and apathy, the cynicism and apathy breed irresponsibility. The end result is political stagnation.

The Rise of Arosemena

7. When the junta fell on 30 March 1966, there was nothing to take its place. Businessmen, politicians, and military leaders got together and decided that the best way to restore constitutionality was through the mechanism of a constituent assembly. Until the assembly could be elected and installed, however, a provisional government was needed. Clemente Yerovi Indaburu, a successful Guayaquil businessman, was chosen to organize a government, and this he did quickly and effectively. The primary duty of the Yerovi administration was to see that elections for a constituent assembly were held. After some delay for lack of funds,

the assembly elections were held on 16 October. Sixty-seven delegates were elected by direct popular vote; 12 delegates, called functional deputies, had been elected indirectly earlier to represent various professional and economic interests. The 79-man assembly was installed on 16 November and elected Otto Arosemena Gomez as "Interim Constitutional President of the Republic." Yerovi turned over his powers to Arosemena on 17 November.

8. Arosemena emerged from relative political obscurity to national prominence virtually overnight. In the constituent assembly elections, Arosemena's own minuscule political movement, the Democratic Institutional Coalition (CID), won but three of the 67 seats. The CID received only 20,000 (13 percent) of the votes in Guayas (Guayaquil) Province, the only province in which it ran candidates and in which it has any semblance of popular support. The manner in which Arosemena parlayed these three votes into the presidency is a good example of the vagaries of Ecuadorian politics.

9. Three political blocs had emerged from the October voting: the center-right bloc composed of Conservative Party delegates and their long-time allies, ex-President Camilo Ponce's Social Christian Movement; the center-left bloc composed of Liberal Party delegates and assorted leftists; and an "independent" bloc of persons of all political hues who were not committed to either of the other two blocs. The Conservative-Poncista bloc was the strongest, but did not have the required 40 votes to elect its candidate, Ponce, as interim president. They therefore looked for a compromise candidate and found Arosemena. A deal was struck whereby Arosemena got the presidency in exchange for an agreement to support Ponce in the next election and to include a number of Conservatives in his government.

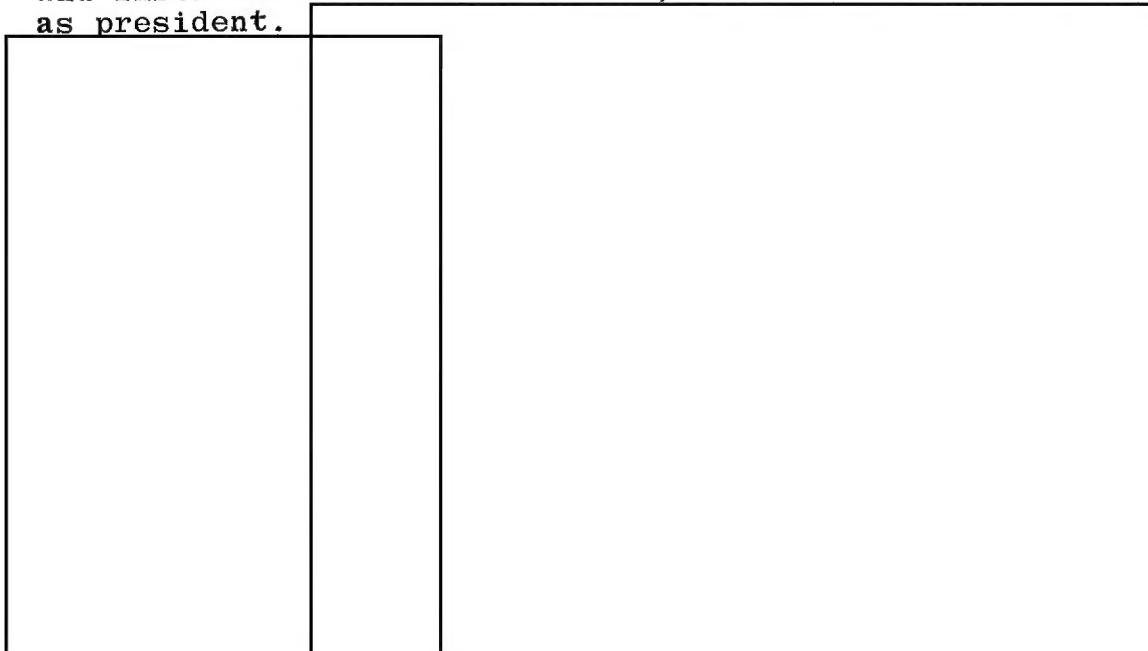
10. Arosemena had been a militant Liberal most of his young life, and had served in both houses of congress from that party. In recent years, however, he had become more conservative, and wealthy Ecuadorians considered him "middle-of-the-road." In December 1965 he organized his own political movement, the CID, drawing into it a mongrel group that included

several former extreme-leftist sympathizers and followers of ex-President Jose Maria Velasco. Despite this, he drew his principal support from the oligarchic ruling class, and had financial backing from Guayaquil banking and business interests.

11. Arosemena was born in July 1925 in Guayaquil into a family with a well-known name but only moderate means. In 1954, when he was only 29 and still a law student, he was elected to congress where he soon established a reputation for violent opposition to the Conservatives. In the 1956 presidential elections he campaigned actively in support of the Liberal Party candidate. Three days after the Conservative Party candidate, Camilo Ponce, was elected, Arosemena was arrested on charges of conspiring against the elections. By September 1956 Arosemena was adopting a new conciliatory approach to the Conservative Party. In August 1957 he was elected president of the lower house.

12. In 1960 Arosemena was elected "Functional Senator for Commerce from the Coast." He was for a time an ardent supporter of then-President Jose Maria Velasco, but later became directly involved in the rebellion that forced Velasco out of office in 1961 and installed Arosemena's cousin, Carlos Julio Arosemena, as president.

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Arosemena's Current Problems

14. Arosemena's ascendancy to the presidency caused considerable political fireworks. The Liberals cried foul and charged him with selling out to the oligarchy. Although he wanted a cabinet of "national conciliation," no Liberals would accept appointment for fear of being thrown out of their party. Demonstrations were organized against the new President, and the police and army had to be called out on a number of occasions to maintain law and order. Arosemena's collapse was expected at any moment, but he held on because the left-of-center was not quite strong enough to topple him and because the military was not about to take on the responsibility of governing again so soon. He nevertheless was on extremely shaky ground, and not until February--when he was able to get an extension of his term until 1 September 1968--was his position fully consolidated.

15. Since that time, Arosemena's major problem has been with labor. Hardly a week goes by without a strike in some part of the country. Most are based on wage grievances, but many are "civic strikes"--incidents where the entire town or province will strike to protest alleged government inaction on local problems. In many cases the strikes have degenerated into violence, such as that of 11 and 12 May in Guayaquil during which three persons were killed and scores injured in clashes with the police and army.

16. A good deal of the strike activity is directed at pressuring the constituent assembly, which is also acting as a unicameral legislature, into action on bills under consideration or proposed by various interest groups.

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17. Most of the assembly's work in the legislative field has consisted of investigating the activities of the former military junta. As a result of its zest to reveal all the "misdeeds" of the junta, the prestige and morale of the Armed Forces have sunk to a new low. The former junta members have been stripped of all honors, status, and respectability, and two of them recently took political asylum and fled into exile to escape further humiliations and possible imprisonment. Another of the more celebrated "investigations" of the assembly was the one into the 1964 "secret modus vivendi" between the military junta and the United States. The bilateral agreement in question eased restrictions on US vessels fishing within Ecuador's claimed 200-mile territorial sea. It had been abrogated even before the assembly was chosen, but some delegates deemed it necessary to go into the whole matter. The issue caused a wave of nationalism and anti-Americanism in the assembly. As a result, Ecuador enacted even stronger claims to its 200-mile territorial sea. The 200-mile limit is a constant source of friction between the US and Ecuador, and there is little likelihood that relations over this issue will improve over the near future.

18. At the moment, the assembly is about a month away from completing the new constitution. Over-all, it has done a creditable job in this respect, and it appears that the new constitution will be an improvement over the old in terms of political reality and social justice. Once the assembly sessions end--probably in mid-June--opportunistic politicians will be deprived of an easy forum.

The Outlook

19. At the moment, Arosemena has no serious rival for power. He should manage to finish out his term, barring an economic collapse or a serious breakdown of law and order. The armed forces, however, remain the most powerful group in the country and are essentially the key to continued political stability. Military prestige suffered greatly during the last days of the military junta, and senior officers are loath to reassume the mantle of office at this point.

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[redacted] Military leaders strongly believe, however, that it is their duty to protect the country from chaos and anarchy, and they could therefore be expected to intervene if they thought such a situation had arrived.

20. The military is powerful primarily because subversive groups are weak and disorganized. The Communist Party is split between a hard-line, pro-Chinese faction that is further weakened by factionalism, and a soft-line, pro-Moscow group. There are also two small leftist-extremist terrorist groups, but their activities are currently limited to isolated bombings. Rural insurgency is not an immediate danger because of the continuing lack of organization and the ineptness of city-bred leaders. Insurgency in the cities, however, is of greater danger. On a number of occasions, pitched battles of several days' duration have been fought in both Quito and Guayaquil between civilian insurgents and security units. A major obstacle to insurgency thus far in both city and country has been the lack of suitable leadership and the nonexistence of a sizable popular will to undertake the sacrifices entailed in violent revolution. The police, backed by the army, have done a creditable job of handling urban violence, but would be inadequate in the face of an organized and well-led rural threat.

21. Fortunately for Arosemena, the Ecuadorean economy has been relatively stable during his term

of office. The most serious problem has been the fiscal situation of the central government. It is estimated that the government's unfinanced deficit in 1966 amounted to \$25 million, or an amount equal to approximately one sixth of budget expenditures. The inability of the government to pay its employees on time has been the cause of many strikes and labor disturbances. Important development programs have been obstructed or virtually halted by a lack of funds and the loss of personnel.

22. The Ecuadorean economy has fundamental institutional and structural defects. The country is predominantly agricultural and excessively dependent on a few export commodities, with the result that resources cannot be readily shifted in response to changes in world market prices. To complicate matters, public sector revenues are derived in substantial measure from taxes on foreign commerce, thus assuring that adverse trade developments will cause serious fiscal problems.

23. The prospects for important advances in economic development in Ecuador in the next few years are not bright. The labor force is largely untrained and illiterate. The country is in an increasingly unfavorable position to meet competition in international markets with its primary export, bananas. External resources are being used mainly for economic and social development, where prospective returns are in the more distant future.

24. The nation faces an election next year. In the tradition of Ecuadorean politics, the campaign promises to be hard fought, and perhaps violent. The political parties are in desperate need of a rejuvenation with responsible, progressive leaders at their head, but this does not appear to be in the cards. There are no young, dynamic politicians on the horizon who are good presidential timber. The leading candidates for president at this juncture are the old, shop-worn party hacks and demagogues, such as ex-presidents Camilo Ponce and Jose Maria Velasco Ibarra. Otto Arosemena's political star has risen since Punta del Este, and he is currently among the front-runners. The new constitution as currently written is vague and would seem to exclude him from running, but this may be changed at a later date.

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